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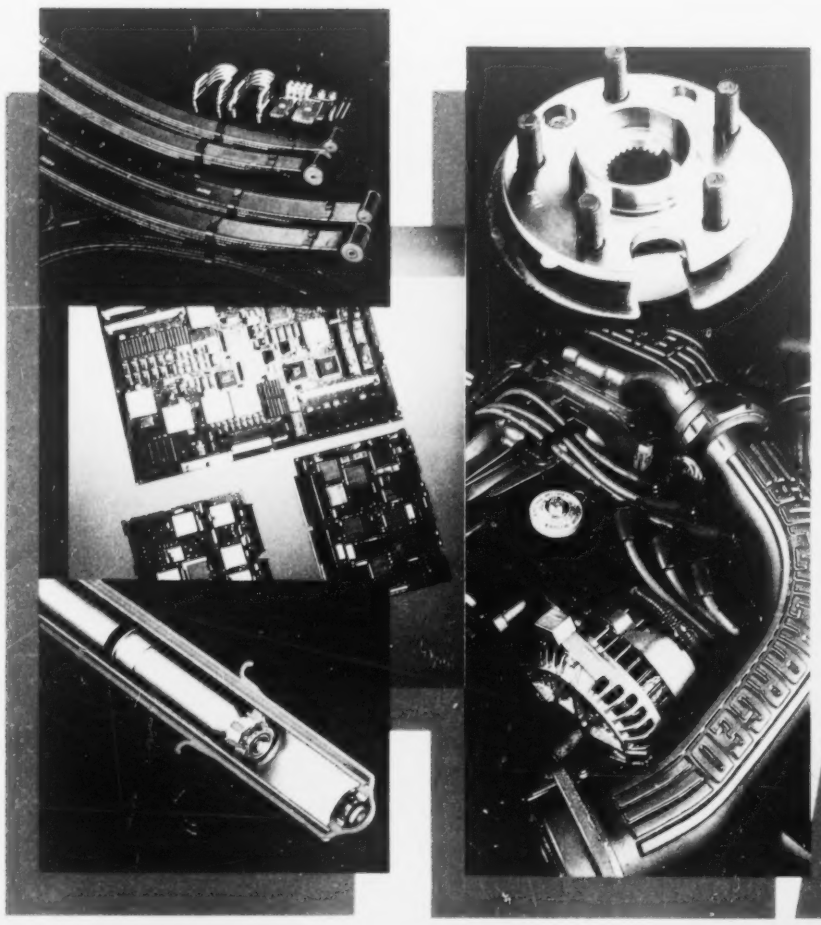
AUTOMOTIVE MARKETING

Unlocking Positions To Serve The Moving Retail And Professional Aftermarkets



HARD PARTS

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AUTOMOTIVE MARKETING

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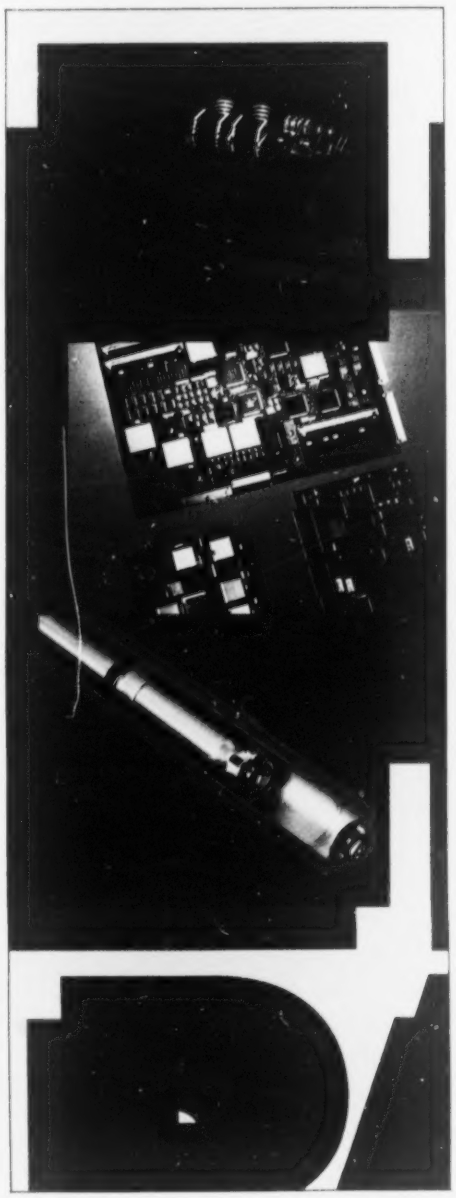

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JESSE H. NEAL AWARD-WINNING PUBLICATION FIVE OUT OF EIGHT YEARS

BPA

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MARKET LINE

CAR POPULATION

1992 Polk Count Finds Car Growth Virtually Ceased

For conclusive proof that 1991 was a recessionary year, consult the latest annual vehicle registration census kept by R.L.Polk & Co., Detroit. According to Polk's count, the car population totaled 123.3 million on July 1, 1991, a growth rate of 51,000 vehicles (about one tenth of one percent) from 1990. Only 8.7 million new cars were registered in the year ending June 30, 1991, a decrease of 7.9%. 1The median age of cars rose to 6.7 years.

"For the first time, the nation's passenger car population is at a zero growth rate for all practical purposes," said Robert Borthwick,vice president and manager, Automotive Replacement Market Services. "Unless consumer buying patterns change soon, a decline in the U.S. car population could occur within the year."

Although new truck registrations were also down by 11% at 4.4 million, the truck population increased by 3.9% to 58.2 million units. The median age of trucks rose to 6.8 years.

"The aging fleet bodes well for the U.S. automotive aftermarket," said Borthwick, "because consumers hold on to their older vehicles and spend money to keep them running." ■

FUEL INJECTION

Study Finds $300 Million Fuel Injection Parts Market

A new study by Marketing Research Services (MRS), Seaford, NY, finds the market for fuel injection maintenance and repair exceeded $300 million in 1991. Unfortunately, the aftermarket is getting very little of the business. The bulk of fuel injection service work is done by new car dealers who account for 65% of the service.

In the aftermarket, general repair shops do 16% of fuel injection service followed by service stations at 10%, while specialty repair shops draw 7% of fuel injection service.

According to analyst Jay Galligan, one-third of independent service outlet managers say dealer warranties keep fuel injection service customers away. Another 16% say service managers have difficulty justifying repair costs. And, 15% lack competent mechanics to do the work.

The full study is available from MRS for $475. ■

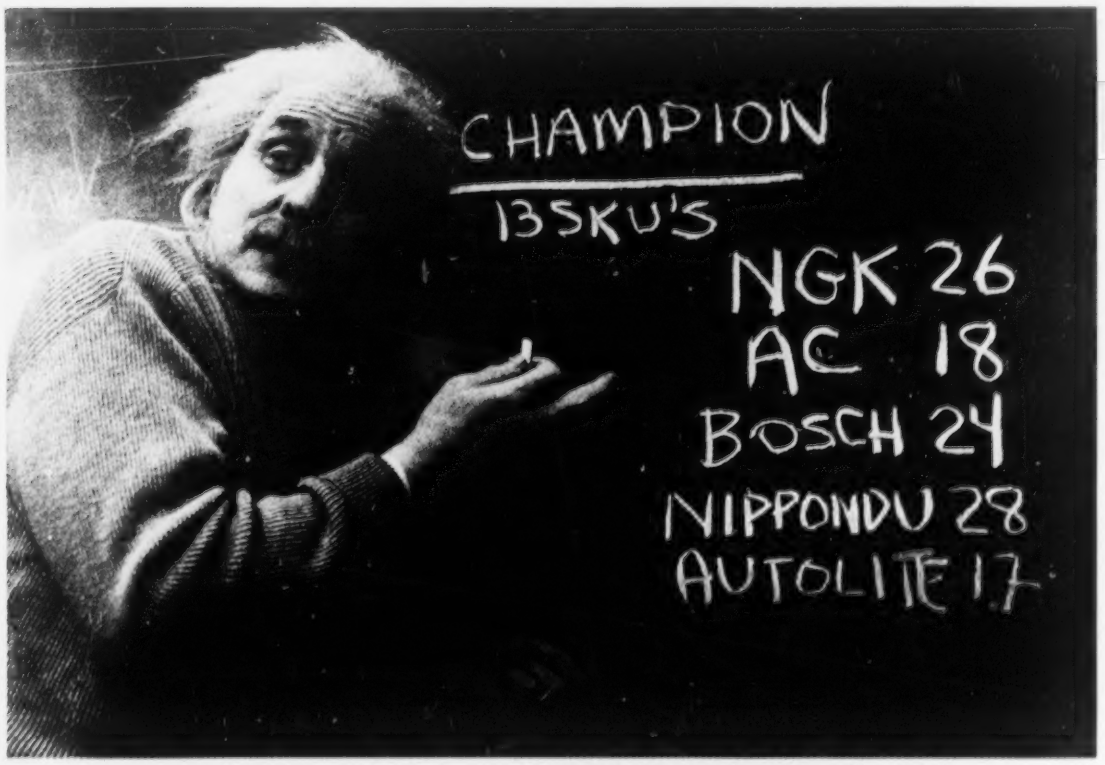
MARKET SHARES IN THE SERVICE MARKET 1980-1990

The continued decline in the number of full-service gas stations means the service station segment is the big loser in market share in the service market. Others declining are discount/department stores which are closing auto service centers. Among the winners are new car dealers, specialty repair shops, and auto parts stores such as Western Auto, Pep Boys and Grand Auto.

Outlet	1990	1980	Change
Service Stations	26%	39%	-13%
New Car Dealers	22	17	+5
General Repair Shops	15	11	+4
Specialty Repair Shops	13	10	+3
Tire Stores	8	7	+1
Auto Parts Stores	7	5	+2
Mass Merchants (e.g., Sears/Kmart)	4	3	+1
Discount/Department Stores	4	6	-2
Others	1	2	-1

Source: Motor Equipment Manufacturers Association

You don't have to be a genius to figure it out.



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HARD PARTS

With people keeping their vehicles longer than ever, hard parts are a vital segment of every aftermarket outlet's inventory.

by **Philip Katcher,**
Business Editor

If you want to get a grasp of how important the hard parts market is in 1992, consider the fact that in 1991, according to R.L. Polk & Co., Detroit, the median age of cars rose to 6.7 years. At the same time, the median age of trucks rose to 6.8 years.

"The aging fleet bodes well for the U.S. automotive aftermarket," said Robert Bothwick, Polk's vice president and manager, Automotive Replacement Market Services, "because consumers hold on to their older vehicles and spend money to keep them running." And hard parts—largely basic drivetrain components—are the most needed items in keeping vehicles running.

So, the market can be huge. For example:

• According to a new study by Marketing Research Services (MRS), Seaford, NY, the market for fuel injection maintenance and repair was more than $300 million in 1991.

• Jim Gerber, director of product management of AP Parts, Toledo, OH, estimates that as many as two million catalytic converters were sold through the aftermarket in 1990.

• Jeff King, director of marketing, Gabriel Ride Control Products, Carol Stream, IL, estimates a growth rate per year of nearly a million units over the next decade for adaptive suspension replacement parts in North America. Moreover, he points out, each system upgrade is a job that bills between $1,000 and $2,500 for big ticket sales, and it profits both the installer and the jobber who sells the parts.

Therefore, it's no surprise that retailers continue to stress selling hard parts to both professional and DIY customers. In all, members of the *Automotive Marketing* Reader Panel reported that hard part sales account for 48% of their unit sales. In 1990, the figure was virtually the same at 45%. At the same time, they reported that hard parts sales account for 47% of their dollar sales, little different from the 50% reported in 1990.

Interestingly, data from the Reader Panel suggests that as vehicle technology has gotten more complicated, and the vehicle-owner population has continued aging, there is a definite trend towards professional installation. While there was little change in hard parts sales, in terms of where they fit into the overall product mix in terms of dollar and unit sales, there is a large change in terms of what percentage of them went to DIYers. Where only two years ago, Reader Panel members reported that on average 71% of their hard parts sales went to DIYers, today the same panel reports that only 61% of their hard parts sales now go to DIYers.

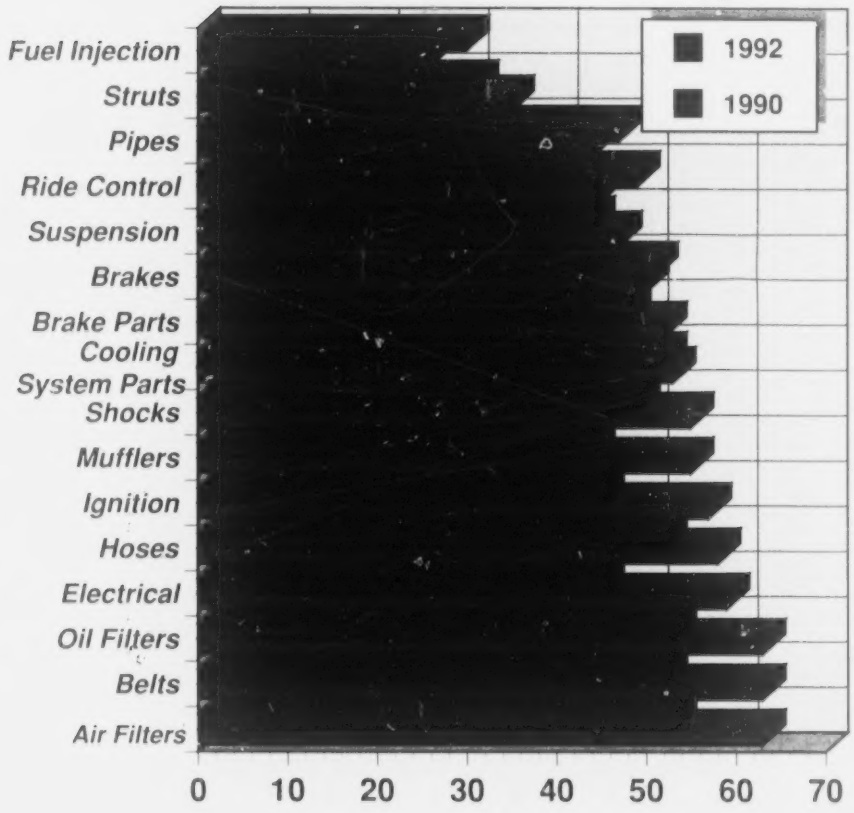
For Example, Brakes

Brakes and brake parts are a fine example of hard parts in a rapidly changing technology. There is evidence, as shown in a survey produced for Allied Signal Inc., Providence, RI, that only 20% of vehicle owners consider having their brakes checked regularly a priority with them. This is despite the fact that some 40% of all drivers, surveyed in the same study, admitted that they have experienced brake failure at some time, and almost half said that brake failure was one of their chief worries in driving.

One of the reasons for this behavior may be new technology. Many new cars today come with anti-lock braking systems (ABS). Even though the systems themselves use ordinary brake parts, many vehicle owners perceive the system as using advanced technology they can't

HARD PARTS AND DIYERS

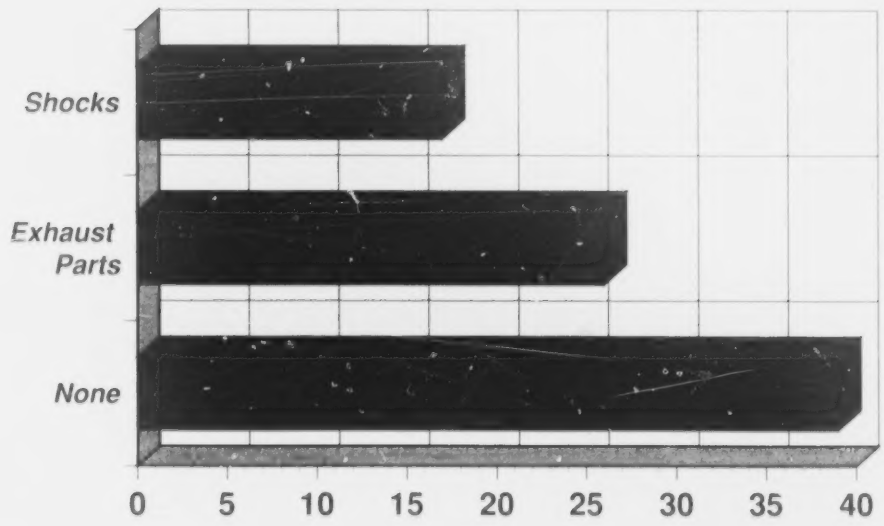
We asked aftermarket outlets what percentage of their sales went to DIYers both in 1990 and again this year. Generally, it appears as if fewer sales are going to DIYers, despite the recession, now than did a couple of years ago.



Source: *Automotive Marketing* Reader Panel

CUTTING HARD PARTS CATEGORIES

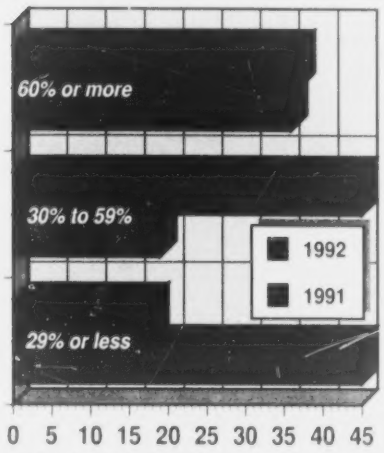
We asked aftermarket outlets what hard parts categories they could safely cut without hurting sales. When we asked the same question in 1990, "none" led the list at 67% of outlets, followed by fuel pumps at 33%, shocks at 17%, and points and condensers at 17%.



Source: *Automotive Marketing* Reader Panel

HARD PARTS AND UNIT SALES

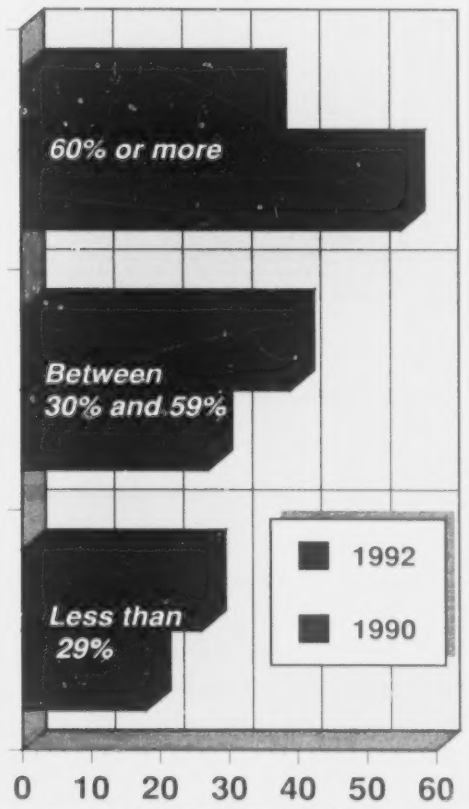
We asked aftermarket outlets what percentage of their unit sales hard parts accounted for in 1990 and this year. Generally, hard parts seem to be increasing in importance in terms of unit sales.



Source: *Automotive Marketing* Reader Panel

HARD PARTS AND DOLLAR SALES

We asked aftermarket outlets what percentage of their dollar sales hard parts account for. The percentage has changed significantly since 1990, perhaps indicating increased sales of products that help keep a vehicle new of that the owner doesnot have to invest in a new vehicle.



Source: *Automotive Marketing* Reader Panel

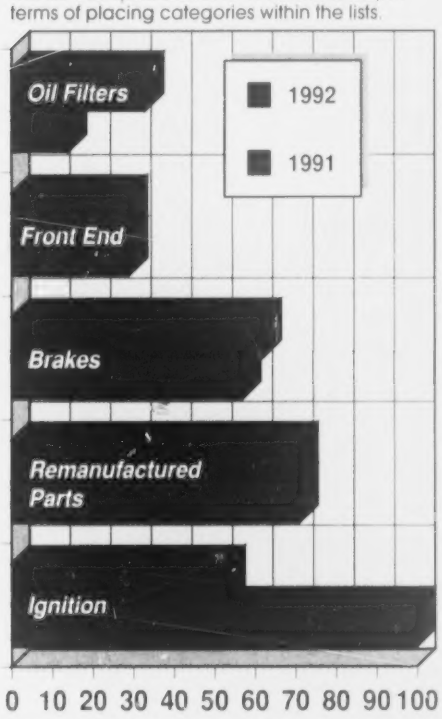
work on themselves and hence they turn to professional service. Moreover, extended warranties appear to have led to too much consumer confidence in their vehicle braking systems, so much so that they often don't bother with periodic inspections.

So, too many drivers out there aren't getting their brakes looked at often enough. Indeed, most drivers apparently get brake work done, or do it themselves, when they hear noises when they hit the brakes. This tends to happen in spring, when they finally start driving with the windows open. Often these noises come from the use of lubricants that can't stand up to brake part heat, rather than actual brake part failures.

Fixing this type of consumer behavior will take an educational effort from manufacturers, retailers, and professional installers alike. Even so, today 29% of AM Reader Panel members said they'd have to increase the number of brake part SKUs they stock. So, brakes and brake parts are a major hard parts category for both retailers and jobbers. Indeed, when looking at consumer buying patterns, according to the 1992

THE MOST PROFITABLE HARD PARTS

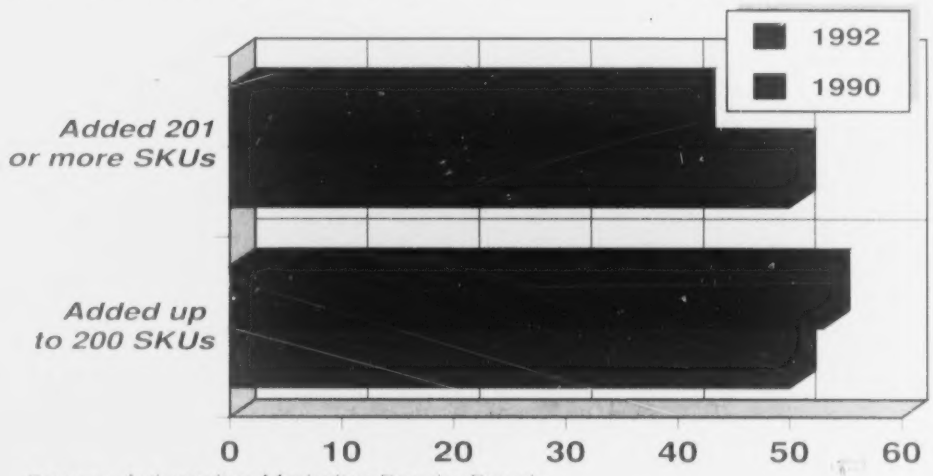
We asked aftermarket outlets what the most profitable hard parts lines they handled were. The list was quite similar in 1990 and today in terms of placing categories within the lists.



Source: Automotive Marketing Reader Panel

HARD PARTS SKUs ADDED

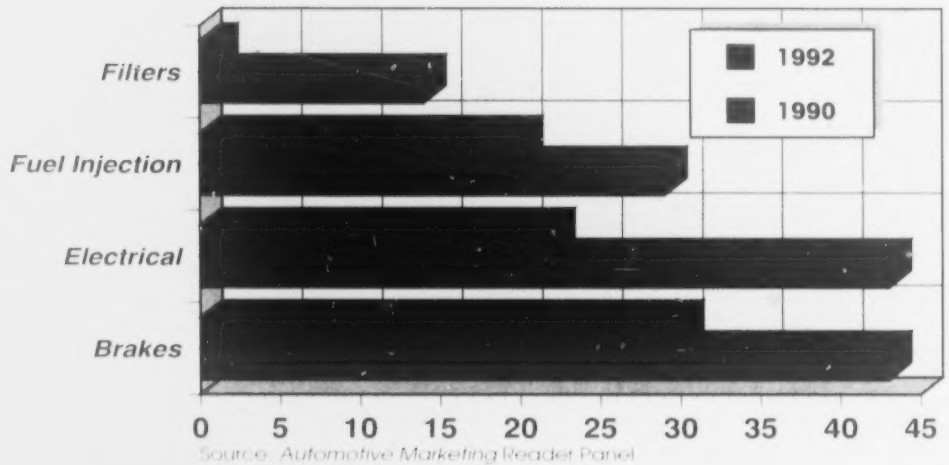
We asked aftermarket outlets for a ballpark estimate of how many SKUs of hard parts they'd added since 1985 both in 1990 and again this year. Slightly more SKUs have been added over the last couple of years.



Source: Automotive Marketing Reader Panel

EXPANDING HARD PART CATEGORIES

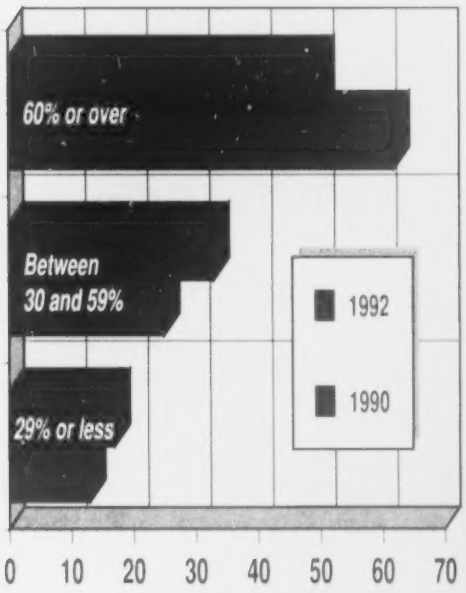
We asked aftermarket outlets what categories of hard parts did they need to add SKUs in. The advent of widespread ABS systems are one cause of brake parts leading today's list.



Source: Automotive Marketing Reader Panel

HARD PARTS AND DIY SALES

We asked aftermarket outlets, both jobbers and retailers, what percentage of their total hrd parts sales DIYers account for. DIY sales seem to have slipped slightly over the past two years.



Source: Automotive Marketing Reader Panel

Automotive Marketing Consumer Automotive Repair Study (CARS), one sees that the 18% of all brake buyers who also call themselves "dedicated" DIYers, 71% of them bought brake parts at an auto parts store. This is an almost classic example of the "20/80" rule that says that 20% of the customers buy 80% of the products sold. And, it's further evidence that in hard parts, as in other product categories, a retailer has to know and reach his prime customers.

Many of the auto parts stores mentioned were true jobbers rather than strictly retail outlets.

Then, once dedicated DIYers bought brake parts, three quarters of them went on to install them themselves.

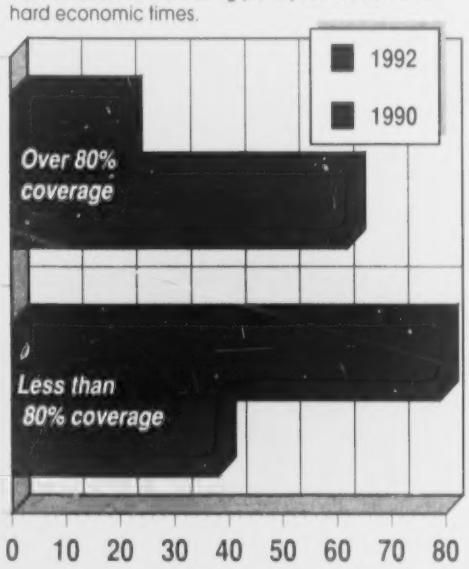
Of the 29% of brake buyers who defined themselves as "medium" DIYers, a third bought the products at an auto parts store. Another 40% of brake parts buyers called themselves "light" DIYers, and 27% of them shopped at an auto parts store. Another 9% of them bought brake parts at a service station, which most likely got them from a jobber earlier.

Finally, of the 13% of brake buyers who said they were "non-DIYers", 14% bought the parts at an auto parts store. Another 15% of this group bought brakes and parts at a service station, which, presumably, bought them from a jobber.

As with brakes, so with most hard parts. Getting consumers to maintain their vehicles on a regular basis, and therefore inspect and replace hard parts on the same basis, requires an educational effort at all levels of the aftermarket. However, for today at least, as vehicles are kept in the nation's garages longer, there is a growing opportunity for those aftermarket outlets that stock and stress hard parts of all types. little box flush right ■

HARD PARTS COVERAGE

If what aftermarket outlets report to us is to be believed, hard parts coverage has slipped over the past couple of years, perhaps as a result of a combination of increasing parts proliferation and hard economic times.



Source: Automotive Marketing Reader Panel